



Personal Insurance Federation of California

California's Personal Lines Trade Association

REPRESENTING THE LEADING AUTOMOBILE AND HOMEOWNERS INSURERS

State Farm • Farmers • 21st Century Insurance Group • SAFECO • Progressive

MEMORANDUM

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Date: April 16, 2004

To: The Honorable Kevin Murray, Chair,
Members, Senate Transportation Committee

From: Dan C. Dunmoyer, President,
G. Diane Colborn, Vice President of Legislative and Regulatory Affairs
Michael A. Gunning, Senior Legislative Advocate

Re: SB 1500 (Speier): Vehicles: Financial Responsibility As Amended
April 12, 2004

Senate Transportation Committee Hearing: April 20, 2004

PIFC Position: Oppose

The Personal Insurance Federation of California, representing insurers who write nearly 45% of the auto insurance policies sold in California, including State Farm, Farmers, SAFECO, 21st Century Insurance Group, and Progressive Insurance Company, **opposes the March 24th amendments to SB 1500** by Senator Speier which eliminated the January 1, 2007 sunset date on the Low Cost Automobile Insurance Program.

PIFC has supported and will continue to support the Low Cost Automobile Insurance Program which provides low-income drivers an insurance product that offers real benefit. However, the law currently requires that the low-cost automobile insurance program be economically viable and sustainable without any subsidy from standard insurance pools. The amendments of March 24th to SB 1500 would arbitrarily eliminate the January 1, 2007 sunset date and extend the program indefinitely. We feel that additional time is needed in order to gather sufficient data on the impact of the current program and to determine whether the low-cost auto program can be successful without assistance from standard insurance pools. It is of significant importance to PIFC member companies that the low-cost auto program be actuarially sound so that there are no subsidies of the program by other drivers in the regular market.

Our position is further supported by the entity that is in charge of the program, the California Automobile Assigned Risk Plan (CAARP). Since the program was created three and a half years ago, CAARP has recommended to the Department of Insurance that current data is insufficient to support any changes to the program. Most recently, in their January 2004 letter to Insurance Commissioner Garamendi, they stated, *"...it's clear from this review and previous reviews that the indications for Low Cost Auto rates are trending upward, and it appears that the Legislature's recent action to reduce rates may be in contradiction to the intent that the program's rates be self-sustaining."* Based on this information, it is clear that more time is necessary to make a reasoned determination on the success of the program (see attached). Since CAARP has stated several times that the program has had insufficient time to make any valid statistical determination on its success, there certainly is not any valid evidence to support a removal of the sunset date at this time. The existing sunset will give all parties a chance to evaluate the performance data and decide if the program is successful, provides benefit to California, and, therefore, should continue.

For the reasons stated above, PIFC respectfully **opposes SB 1500**. If you have any questions regarding our opposition, please call Michael A. Gunning at (916) 442-6646.

cc: Senator Jackie Speier, Author
Randall Henry, Sen. Transportation Cmte.
Cynthia Bryant, Office of the Governor
Tim Conaghan, Sen. Republican Caucus